

COPY TRANSAMERICA CORPORATION

San Francisco, California,
August 17, 1939.

Hon. Preston Delano,
Comptroller of the Currency,
Washington, D. C.

Dear Mr. Delano:

For your convenience in replying, I am enclosing a copy of a letter dated July 18, 1939, addressed to you by Mr. E. B. MacNaughton, President of The First National Bank of Portland, together with a copy of Deputy Comptroller Upham's reply of August 5, 1939.

Please note the fifth paragraph of Mr. Upham's letter in which he refers to the "manner" in which the stock of The First National Bank is held. What Mr. Upham intended to say was, "By reason of the fact that Transamerica Corporation holds a majority of your capital stock, this office has no assurance that the present management will continue undisturbed or that additional capital will be furnished should such request be made by this office."

Whether or not Transamerica Corporation is satisfied with the present management of The First National Bank of Portland is beside the point. There appears to us to be nothing either in the law or in the regulations prescribed by the Comptroller of the Currency or the Federal Reserve Board to indicate that before granting permits to convert independent banks into branches of a national bank the Comptroller's office must have assurance that the management of a national bank will be continued; nor is there either in the law or in the regulations any requirement that the Comptroller's office, before granting such permits, must have assurance that additional capital will be furnished should such request be made by the Comptroller's office.

The First National Bank of Portland has capital and surplus greatly in excess of the requirements under Section 5138 U.S.R.S. so that assurance as to additional capital is not required at this time.

The other assurance which Mr. Upham believes to be a "sine qua non" cannot, of course, be forthcoming, inasmuch as the stockholders of a national bank are under neither the obligation nor the necessity to commit themselves for all time, or for a period of time, as to the continuance of the present management of a bank.

Furthermore, under the terms of our agreement with the Federal Reserve Board consummated at the time Transamerica Corporation applied for a permit to vote the stock of The First National Bank of Portland, we under-

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took to comply with certain requirements expressly set forth in the application for the permit. Those requirements have been fully met by Transamerica Corporation, and the last examination report on The First National Bank of Portland by the Comptroller's office indicates not only that it is one of the "cleanest" banks in the United States but that it has a net sound capital of approximately \$8,800,000 exclusive of \$1,400,000 appreciation in its bond account.

Under Section 5138 U.S.R.S., The First National Bank of Portland is required to maintain \$2,250,000 in capital and \$450,000 in surplus, a total of \$2,700,000. The capital of The First National Bank of Portland is \$3,000,000 and the surplus \$3,000,000, exclusive of other capital funds of \$2,800,000 and bond appreciation of \$1,400,000, a total of \$10,200,000, or an excess of \$7,500,000 over the requirements of Section 5138. The losses to be charged off at the last examination aggregated only \$80,800, while "doubtfuls" aggregated only \$42,700. Fifty per cent of the "doubtfuls" and 100 per cent of the loss classification have been taken into consideration in arriving at the net sound capital of \$8,500,000.

May I ask you to be good enough to review Mr. Upham's decision in this matter. If the decision stands, may I ask you also to explain exactly under what legal authority the branch permits which Mr. MacNaughton has requested are being withheld.

Very sincerely yours,

John M. Grant,
President.